

**ORDINANCE AUTHORIZING THE REDEMPTION AND DEFEASANCE
OF CERTAIN CITY OF SAN ANTONIO, TEXAS WATER SYSTEM
REVENUE IMPROVEMENT AND REFUNDING BONDS, SERIES 1996;
AND PROVIDING FOR AN EFFECTIVE DATE**

WHEREAS, the City Council of the City of San Antonio, Texas (the "City Council") has previously authorized the issuance of obligations designated as "City of San Antonio, Texas Water System Revenue Improvement and Refunding Bonds, Series 1996", dated October 15, 1996, in the original principal amount of \$68,000,000 (the "Bonds");

WHEREAS, the City Council of the City of San Antonio, Texas (the "City") previously established an agency of the City known as the San Antonio Water System (the "System"), which agency is under the management and control of the Board of Trustees (the "Board") established and created pursuant to the provisions of an ordinance adopted by the City Council on April 30, 1992 (the "Bond Ordinance") and Chapter 1502, as amended, Texas Government Code;

WHEREAS, the Board of the System has requested that the Bonds described in Exhibit A, attached hereto and incorporated by reference herein as if copied in full, be redeemed and defeased;

WHEREAS, Chapter 1207, as amended, Texas Government Code (the "Act") and Section 30 of the ordinance authorizing the issuance of the Bonds (the "Original Ordinance") authorize the City to deposit with any paying agent for the Bonds such amounts sufficient to pay when due the principal of, premium, and interest on the Bonds and to give or arrange for notice of redemption thereof;

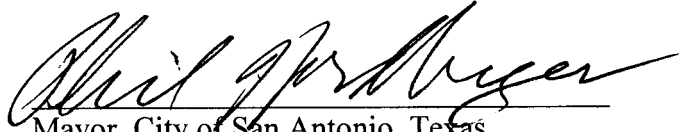
WHEREAS, the Original Ordinance provides the notice requirements to effectuate the redemption of the Bonds;

WHEREAS, JPMorgan Chase Bank, National Association, Dallas, Texas, as the successor to Texas Commerce Bank National Association, San Antonio, Texas, is the paying agent/registrar (the "Paying Agent/Registrar") for the Bonds; and

WHEREAS, it is in the best interest of the City and the ratepayers of the System to defease and redeem all of the Bonds as herein provided in order to terminate the payment of interest thereon and to reduce the System's aggregate debt service requirements in the years, subsequent to the redemption date; now, therefore;

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:

PASSED AND ADOPTED by an affirmative vote of 10 members of the City Council of the City of San Antonio, Texas, on the 13th day of April, 2006.



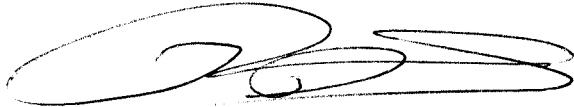
Mayor, City of San Antonio, Texas

ATTEST:




City Clerk, City of San Antonio, Texas

I, the undersigned, City Attorney of the City of San Antonio, Texas, hereby certify that I read, passed upon and approved as to form the foregoing Ordinance prior to its adoption and passage as aforesaid.



Michael D. Bernard, City Attorney, City of
San Antonio, Texas

ARTICLE I

DEFINITIONS

SECTION 1.1 Definitions. In addition to other words and terms defined in this ordinance, and unless a different meaning or intent clearly appears in the context, the following words and terms shall have the following meanings, respectively:

“Board” - The duly constituted San Antonio Water System Board of Trustees, or any successor thereto.

“City” - The City of San Antonio, Texas, or any successor thereto.

“Code” - The Internal Revenue Code of 1986, as amended.

“City Council” - The City Council of the City.

“Ordinance” - This “Ordinance Authorizing the Redemption and Defeasance of Certain City of San Antonio, Texas Water System Revenue Improvement and Refunding Bonds, Series 1996; and Providing for an Effective Date” adopted by the City Council on April 6, 2006.

“Paying Agent/Registrar” – JPMorgan Chase Bank, National Association, Dallas, Texas, or any successor thereto.

SECTION 1.2 The authorized representatives of the Board will authorize the issuance of its commercial paper notes in the amount of \$69,360,000 on May 11, 2006 to pay the principal amount of the Bonds in the amount of \$68,000,000 and the redemption premium of \$1,360,000, which will be transferred to the Paying Agent/Registrar on May 15, 2006. Additionally, on May 15, 2006, the authorized representatives of the Board will transfer \$1,908,680 from its debt service fund relating to the Bonds to pay the accrued interest due on the Bonds to the redemption date of May 15, 2006.

SECTION 1.3 Notice of Redemption. All of the Bonds will be subject to redemption prior to their stated maturity at the price of par, a premium of 2%, and accrued interest to the date of redemption. The Mayor hereby gives written notice to the Paying Agent/Registrar that these Bonds have been called for redemption, and the City Council orders that such obligations are called for redemption on the date shown on Exhibit B hereto, and such direction to redeem the Bonds on the date herein specified shall be irrevocable upon the execution of this Ordinance. A copy of the notice of redemption pertaining to these Bonds is attached to this Ordinance as Exhibit B and is incorporated herein by reference for all purposes.

SECTION 1.4 Available Funds. An amount not to exceed \$71,268,680 determined by the Board to be available for such purposes and necessary for payment of the Bonds shall be deposited with the Paying Agent/Registrar not later than May 15, 2006.

SECTION 1.5 Matters Related to Defeasance. (a) In order that the City shall satisfy in a timely manner all of its obligations under this Ordinance, the President/Chief Executive Officer of the Board and all other appropriate officers and agents of the Board, including the

Chief Financial Officer of the San Antonio Water System (the "Chief Financial Officer"), are hereby authorized and directed to take all actions that are reasonably necessary to provide for the redemption and defeasance of the Bonds, including, without limitation, executing and delivering on behalf of the City all certificates, consents, receipts, requests, notices, and other documents as may be reasonably necessary to satisfy the City's obligations under this Ordinance and to direct the transfer and application of funds of the System consistent with the provisions of this Ordinance.

(b) No money of the City other than the amount specified in Section 1.2 hereof shall be used to redeem and defease the Bonds.

SECTION 1.6 Miscellaneous Provisions.

(a) Titles Not Restrictive. The titles assigned to the various sections of this Ordinance are for convenience only and shall not be considered restrictive of the subject matter of any section or of any part of this Ordinance.

(b) Inconsistent Provisions. All ordinances and resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Ordinance are hereby repealed and declared to be inapplicable, and the provisions of this Ordinance shall be and remain controlling as to the matters prescribed herein.

(c) Severability. If any word, phrase, clause, paragraph, sentence, part, portion, or provision of this Ordinance or the application thereof to any person or circumstance shall be held to be invalid, the remainder of this Ordinance shall nevertheless be valid and the City Council hereby declares that this Ordinance would have been enacted without such invalid word, phrase, clause, paragraph, sentence, part, portion, or provisions.

(d) Preamble Incorporation. The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this Ordinance for all purposes and are adopted as a part of the judgment and findings of the City Council.

(e) Governing Law. This Ordinance shall be construed and enforced in accordance with the laws of the State of Texas.

(f) Open Meeting. The City Council officially finds and determines that the meeting at which this Ordinance is adopted was open to the public; and that public notice of the time, place, and purpose of such meeting was given, all as required by Chapter 551, Texas Government Code.

SECTION 1.7 Effective Date. The effective date of this Ordinance shall be governed by the provisions of Section 1-15 of the City Code of San Antonio, Texas. This Ordinance shall take effect immediately if passed by the affirmative vote of at least eight members of the City Council, otherwise the same shall take effect on the tenth day after the date of its passage by the City Council.

EXHIBIT A

BONDS TO BE REDEEMED AND DEFEASED

City of San Antonio, Texas Water System Revenue Improvement and Refunding Bonds, Series 1996*

Maturity Dates <u>(May 15)</u>	Refunded Principal <u>Amount Being Refunded</u>	Interest <u>Rates (%)</u>
2013	\$3,310,000	5.60
2014	\$3,500,000	5.65
2015	\$3,700,000	5.70
2016	\$3,910,000	5.70
2021	\$23,145,000	5.60
2026	\$30,435,000	5.60

*The Bonds will be redeemed on May 15, 2006 at a redemption price of par, a redemption premium of 2%, plus accrued interest to the date of redemption.

EXHIBIT B

Notice of Redemption

See Tab No. ____

CERTIFICATE OF CITY CLERK

THE STATE OF TEXAS §
 §
COUNTY OF BEXAR §
 §
CITY OF SAN ANTONIO §

THE UNDERSIGNED HEREBY CERTIFIES that:

1. On the 13th day of April, 2006, the City Council (the *Council*) of the City of San Antonio, Texas (the *City*) convened in regular session at its regular meeting place in the Municipal Plaza Building of the City (the *Meeting*), the duly constituted members of the Council being as follows:

Phil Hardberger	Mayor
Patti Radle	Mayor Pro Tem
Sheila D. McNeil	Councilmember
Roland Gutierrez	Councilmember
Richard Perez	Councilmember
Elena Guajardo	Councilmember
Delicia Herrera	Councilmember
Roger O. Flores	Councilmember
Art A. Hall	Councilmember
Kevin Wolff	Councilmember
Christopher "Chip" Haass	Councilmember

and all of such persons were present at the Meeting, except the following: Councilmember Herrera, thus constituting a quorum. Among other business considered at the Meeting, the attached Ordinance (the *Ordinance*) entitled:

ORDINANCE AUTHORIZING THE REDEMPTION AND DEFEASANCE OF
CERTAIN CITY OF SAN ANTONIO, TEXAS WATER SYSTEM REVENUE
IMPROVEMENT AND REFUNDING BONDS, SERIES 1996; AND
PROVIDING FOR AN EFFECTIVE DATE

was introduced and submitted to the Council for passage and adoption. After presentation and due consideration of the Ordinance, a motion was made by Councilmember Perez that the Ordinance be finally passed and adopted in accordance with the City's Home Rule Charter. The motion was seconded by Councilmember Wolff and carried by the following vote:

10 voted "For" Ø voted "Against" Ø abstained

all as shown in the official Minutes of the Council for the Meeting.

2. The attached Ordinance is a true and correct copy of the original on file in the official records of the City; the duly qualified and acting members of the Council of the City on the date of the Meeting are those persons shown above, and, according to the records of my office, each member of the Council was given actual notice of the time, place, and purpose of the Meeting and had actual notice that the Ordinance would be considered; and the Meeting and deliberation of the aforesaid public business, including the subject of the Ordinance, was posted and given in advance thereof in compliance with the provisions of Chapter 551, as amended, Texas Government Code.

IN WITNESS WHEREOF, I have signed my name officially and affixed the seal of the City, this 13th day of April, 2006.



Leticia M. Vucet

City Clerk, City of San Antonio, Texas